

PUBLIC DISCLOSURE

JULY 8, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

HAVERHILL TEACHERS CREDIT UNION

P.O. BOX 383
HAVERHILL, MA 01831

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **HAVERHILL TEACHERS CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

A CRA rating of "Satisfactory" is assigned. An industrial institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its membership, including low and moderate-income members, in a manner consistent with its resources and capabilities.

The credit union's average net loan-to-share ratio for the previous four semi-annual periods is 45.8 percent and meets the standards for satisfactory performance at this time.

Analysis of the credit union's lending activity by borrower income revealed that 20 percent of real estate- related loans and 57.8 percent of a consumer loan sample were granted to low and moderate-income members. A rating of "meets satisfactory performance" was granted for this criterion.

The credit union's fair lending performance is also considered to meet the standards of satisfactory performance.

PERFORMANCE CONTEXT

Description of Institution

Haverhill Teachers Credit Union (HTCU) is a state-chartered credit union, which was founded in 1937 to address the savings and credit needs of the teachers of the Haverhill School Department, retirees, and their families.

The credit union has one office located at 4 Summer Street in Haverhill, Massachusetts. Business hours are from 10:00 A.M to 4:00 P.M Monday through Friday except in the summer when the business hours are 9:00 A.M to 2:00 P.M Monday through Wednesday, and 8:00 A.M to 2:00 P.M Thursday and Friday. Hours of operation appear comparable to similar institutions.

Although the credit union does not maintain an Automated Teller Machine (ATM), the credit union participates in the NYCE, SUM and GenPass Money Maker ATM Systems. Haverhill Teachers Credit Union offers direct deposit, the option of payroll deduction for loan payments and a number of credit products to its membership, including personal loans, new and used vehicles loans, share collateral loans, and first mortgage loans and home equity loans.

The credit union's products include new and used auto loans, personal loans, home improvement loans and debt consolidation loans. The credit union also has an agreement with CUMEX Mortgage Services, to which members are referred for residential mortgage products. CUMEX offers diverse mortgage products, including first-time homebuyer loans and other products with flexible lending terms. While the credit union does not originate these mortgage loans, it does purchase such loans back from Cumex Mortgage Services if the loans meets certain lending parameters.

As of March 31, 2003, the credit union had total assets of \$13,757,120. Loans totaled \$4.589 million dollars and comprised 33.3 percent of the institution's total assets. Refer to the following table for additional information on the breakdown of loans.

LOAN TYPE	AMOUNT \$	PERCENT
New Auto	\$1,644,158.00	35.8
Home Equity	\$ 836,301.00	18.2
Used Auto	\$ 829,275.00	18.1
Unsecured Personal	\$ 540,321.00	11.8
First Mortgage	\$ 413,194.00	9.0
Credit Cards	\$ 246,044.00	5.4
Share Secured	\$ 79,983.00	1.7
Total Loans	\$4,589,276.00	100%

Source: NCUA call report 3/31/03

The largest portion of the loan portfolio is composed of new vehicle loans. These loans represent 35.8 percent of the total loan portfolio followed by home equity and used auto loans with 18.2 percent and 18.1 percent, respectively.

Haverhill Teachers Credit Union was last examined for compliance with the Community Reinvestment Act by the Division on June 28, 1999. That examination resulted in an overall rating of "Satisfactory".

Description of Assessment Area

According to the Massachusetts Community Reinvestment Act Regulation, 209 CMR 46.41, a credit union whose membership is not based on residence may delineate its membership as its assessment area. Haverhill Teachers Credit Union has identified its assessment area as its membership.

Haverhill Teachers Credit Union's by-laws state: "Membership in this credit union is limited to those who are regularly employed by the School Department of the City of Haverhill, the school nurses, and all regularly employed personnel of the Haverhill Teachers Credit Union: except that persons not so eligible to membership may have joint accounts with members of the credit union for the purpose of deposit and withdrawal only. Also eligible will be any employee of the Whittier Regional Vocational School who was previously employed by the school department of the City of Haverhill and who was a member of the Haverhill Teachers Credit Union at the time of his/her employment at the Whittier Regional Vocational School; and a member who retires from his/her position of employment with the School Department of the City of Haverhill may retain full membership in the Haverhill Teachers Credit Union. Associate membership shall be granted to members of the immediate family of base members with full privileges in all savings programs and loan programs in accordance with the loan policies established by the Board of Directors.

- Immediate family is defined as follows: Wife, Husband, Children, Parents, Grandparents, Grandchildren, Sisters, Brothers, Mother-in Law, Father-in Law, Aunts, Uncles, Nieces and Nephews.

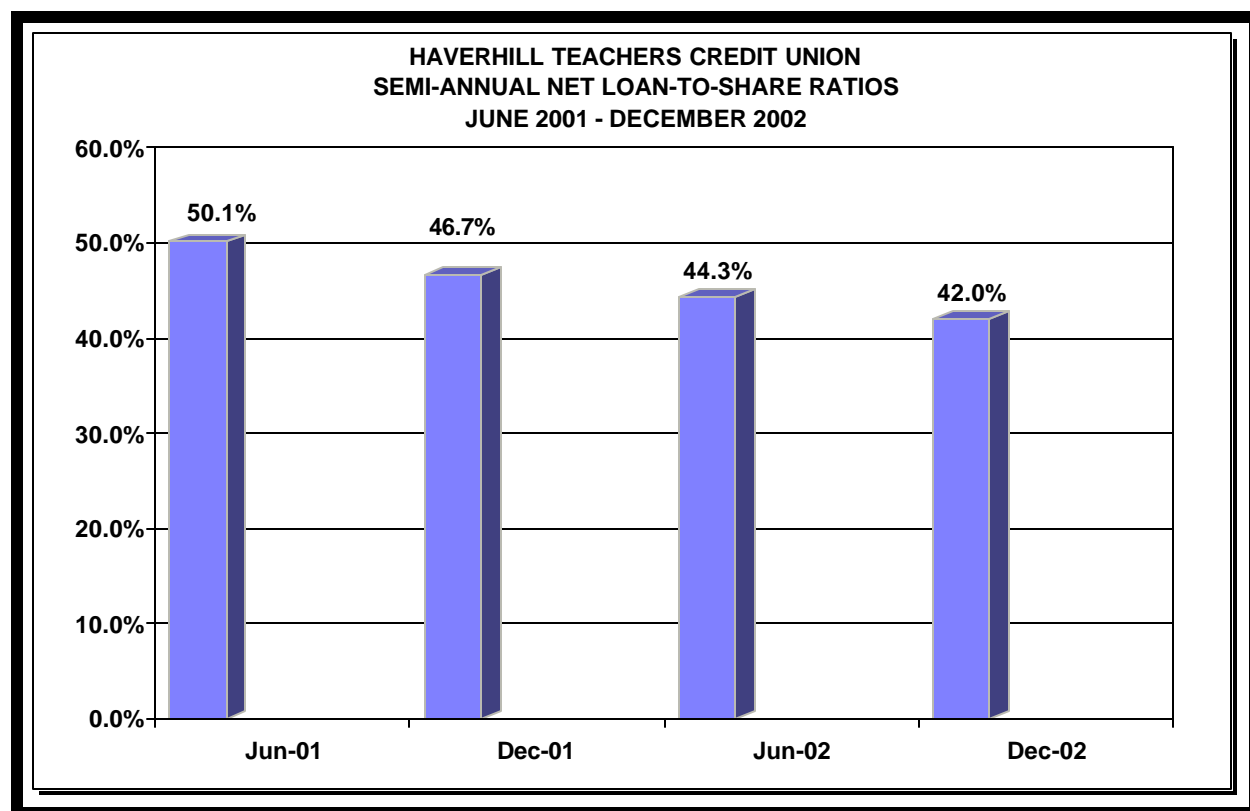
The credit union currently has 1,912 members as of March 31, 2003 and its geographical location places it within the Lawrence Metropolitan Statistical Area (MSA).

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT (SHARE) ANALYSIS

An analysis of the credit union's net loan-to-deposit (share) ratio was performed during the examination. The analysis utilized the NCUA Semi-Annual Call Report data for the institution for the period June 2001 to December 2002. The institution's average net loan-to-share ratio for this period was 45.8 percent, which is an improvement from the previous examination's average ratio of 39.5 percent. This ratio is based on total loans net of unearned income and net of allowance for loan and lease losses (ALLL) as a percentage of total shares.

As the above below indicates, the credit union experienced an overall decrease in the loan to share ratio from June 1, 2001 to December 2002, where the ratio decreased from a high of 50.1 percent in June 2001 to a low of 42.0 percent in December, 2002. Loans decreased by 9 percent during this period; while deposits (shares) actually increased by 8.5 percent. Increases in deposits are generally seasonal in nature, (when school is in session) however, the decrease in lending may also be the result of direct competition in areas such as new and used auto loans.



Source: NCUA Call Reports

According to the credit union's Manager, the relatively low average loan-to-share ratio demonstrated by the credit union is due to the fact that the membership base of the credit union is rather low. In addition, most of the members are on a ten-month pay schedule, excluding July and August. This situation is further compounded by the fact that the credit union has limited credit products. However, the credit union has taken steps to increase its credit products with such programs as Home Equity Loan Program, Credit Card Program and Debt Consolidation Loan Program

Based upon the above information, the credit union's net loan-to-share ratio meets the standards for satisfactory performance.

2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The credit union's lending, based upon the analysis of home equity and consumer loans by borrower income, meets the standards for satisfactory performance in providing credit to members of all income levels.

Haverhill Teachers Credit Union's home equity loans and a sample of consumer loans for calendar year 2001 through year-to-date June 30, 2003, were reviewed in order to determine the distribution of credit based upon the income level of members. While the credit union has purchased first mortgages from Cumex Mortgage Service Center, there was not a sufficient number to be statistically significant. Consequently, the focus of the examination was on loan products in which there was a greater volume.

The borrower income level was identified as the ratio of borrower income to the median family income for the Lawrence MSA. The median family incomes for the Lawrence MSA are \$64,100, \$67,400, and \$74,300 for 2001, 2002, and 2003, respectively. These figures are based upon Department of Housing and Urban Development (HUD) information.

Low-income is defined by the U.S. Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as 50 to 79 percent of the median family income. Middle-income is defined as income between 80 and 119 percent of the median family income. Upper-income is defined as income at or greater than 120 percent of the median family income.

Real Estate Related Lending

The following tables indicate loans originated and classified by the applicants' reported income in relation to the median family income for the Lawrence MSA. HTCUC granted 8 home equity loans totaling \$390,000 in 2001, 8 loans totaling \$360,000 in 2002 and 4 loans totaling \$120,000 as of year-to-date June 30, 2003.

The table below indicates that 55.0 percent of the home equity loan originations were granted to individuals of upper-income, 25.0 percent to middle-income borrowers, and 10.0 percent each to low and moderate-income members, for a total of 20 percent to low to moderate-income borrowers.

Home Equity Loan Originations by Income of Borrower by Number

% of Median MSA Income	2001		2002		Y-T-D 2003		TOTAL	
	#	%	#	%	#	%	#	%
<50%	0	0.0	0	0.0	2	50.0	2	10.0
50% - 79%	1	12.5	0	0.0	1	25.0	2	10.0
80% - 119%	1	12.5	3	37.5	1	25.0	5	25.0
120%<	6	75.0	5	62.5	0	0.0	11	55.0
Total	8	100%	8	100%	4	100%	20	100%

Source: In-House Files for 2001, 2002 and year-to-date June 30, 2003

The table below indicates that 58.6 percent of loan originations by dollar amount, was granted to individuals of upper-income, while 24.7 percent went to middle-income individuals, 11.5 percent and 5.2 percent to moderate and low-income borrowers, respectively.

Home Equity Loan Originations by Income of Borrower by Dollar Amount

% of Median MSA Income	2001		2002		Y-T-D 2003		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
<50%	0	0.0	0	0.0	45	37.5	45	5.2
50% - 79	50	12.8	0	0.0	50	41.7	100	11.5
80% - 119%	50	12.8	140	38.9	25	20.8	215	24.7
120%<	290	74.4	220	61.1	0	0.0	510	58.6
Total	390	100%	360	100%	120	100%	870	100%

Source: In-House Files for 2001, 2002 and year-to-date June 30, 2003

Consumer Lending

Consumer loans granted in 2001, 2002 and YTD June 30, 2003 were sampled and reviewed for borrower income levels. HTCUC granted 367 consumer loans totaling \$2,370,494 in 2001, 289 consumer loans totaling \$1,900,180 in 2002, and 55 loans totaling \$507,413 as of YTD June 30, 2003.

The following table provides a breakdown of a sample of 64 consumer loans originated to members by applicant income level. This analysis indicated that 57.8 percent of the

loans was granted to low and moderate-income members, 21.9 percent to middle-income members, and 20.3 percent to members of upper income.

Consumer Loan Originations by Income of Borrower by Number

% of Median MSA Income	2001		2002		Y-T-D 2003		TOTAL	
	#	%	#	%	#	%	#	%
<50%	7	28.0	5	20.8	3	20.0	15	23.5
50% - 79%	5	20.0	8	33.4	9	60.0	22	34.3
80% - 119%	8	32.0	6	25.0	0	0.0	14	21.9
120% >	5	20.0	5	20.8	3	20.0	13	20.3
Total	25	100%	24	100%	15	100%	64	100%

Source: In-House Files

The distribution of the dollar amount of loans followed a similar pattern. The table below indicates that, by dollar amount, 46.3 percent of the consumer loans were made to low and moderate-income members, 24.0 percent to middle-income members and 29.7 percent to members of upper income.

Consumer Loan Originations by Income of Borrower by Dollar Amount

% of Median MSA Income	2001		2002		Y-T-D 2003		TOTAL	
	\$000	%	\$000	%	\$000	%	\$000	%
<50%	64	21.3	15	10.4	24	23.1	103	18.8
50% - 79%	50	16.7	46	31.7	55	52.9	151	27.5
80% - 119%	103	34.3	29	20.0	0	0.0	132	24.0
120% >	83	27.7	55	37.9	25	24.0	163	29.7
Total	300	100%	145	100%	104	100%	549	100%

Source: In-House Files

The credit union's lending distribution is representative in all categories of income levels of its membership. It should be noted that the majority of the consumer loans were granted to single applicants. Therefore, the percentage of originations occurring in moderate-income levels would be higher than that of residential mortgage originations, where the income is usually the result of joint incomes and where the comparison is made to the standard of median family income.

The distribution of credit among borrowers of various incomes reflects a good penetration among individuals of different income levels, including those of low and moderate-income. Therefore, the distribution of credit among different income levels meets the standards for satisfactory performance.

3. REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES

Haverhill Teachers Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the credit union has procedures in place should any consumer complaints related to CRA be received.

FAIR LENDING POLICIES AND PRACTICES

The credit union's small size, restricted resources and financial situation limit its ability to meet the requirements of the Division's fair lending policy. The credit union's staff training is adequate. However, outreach, marketing, credit products and underwriting standards are directly affected by resources and limited product offerings. The institution has developed a second review process in which all loans considered for denial are referred to the Credit Committee by the loan officer prior to issuing a written notice of denial. Based on the foregoing information, the credit union meets the standards for satisfactory performance in this category.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

HAVERHILL TEACHERS CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JULY 8, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.